

**General and Administrative Rate
Application Submission**

December 2002

Reference Number: 2003-1C-028

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 2, 2002

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

FROM: Daniel R. Devlin
Assistant Inspector General for Audit (Headquarters Operations
and Exempt Organizations Programs)

SUBJECT: General and Administrative Rate Application Submission
(Audit #200310002.011)

In response to your request, the Defense Contract Audit Agency (DCAA) has examined the contractor's September 5, 2002, general and administrative (G&A) rate application submission. The purpose of the examination was to evaluate the reasonableness of the cost impact calculation, assuming the G&A calculation for the contractor's work is changed to be consistent for all Federally Funded Research and Development Centers (FFRDCs), either Direct Labor base or Total Cost Input base.

The DCAA stated that there is no cost impact to any of the three FFRDCs as a result of the G&A base selection. However, based on the examination of the contractor's September 5, 2002, G&A rate application submission, the DCAA determined that the contractor had not adjusted the payroll factor of its three-factor formula to reflect the addition/subtraction of soft-shelled labor to the individual FFRDC. The DCAA considered adjusting the payroll factor to result in a more equitable allocation of corporate G&A to each of the three FFRDCs.

The contractor's accounting system is considered adequate for the accumulation, reporting, and billing of costs on government contracts. Also, the DCAA indicated that the contractor's estimating system is considered to be adequate to ensure that the revised forward pricing rates are based on accurate, complete, and current cost or pricing data.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director at (202) 927-7077.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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